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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 7-80

WASHINGTON, July 2--The Foreign Agricultural Service of the U.S. Department of Agriculture today issued the following report of recent developments in world agriculture and trade:

GRAIN AND FEED

MEXICO has embarked on an extensive program aimed at increasing domestic food production as the demand for grain has outpaced production in recent years. The program, Sistema Alimentario Mexicano (SAM), calls for self-sufficiency in corn and edible beans by 1982, and in other basic commodities by 1985.

The most significant feature of the SAM program is the rise in support prices for the basic grains. The 1980/81 guaranteed price for corn, wheat and sorghum, with the preceding year for comparison, is as follows in pesos per ton (22.83 pesos currently equals US\$1).

	1979/80 Guaranteed price	1980/81 Guaranteed price	Percentage increase
Corn	3,480	4,450 <sup>1/</sup>	28
Wheat	3,000	3,550	18
Sorghum	2,335	2,900	24

<sup>1/</sup> The 1980/81 corn price is for the spring-harvested crop. The price for the fall-harvested crop, which accounts for about 90 percent of production, is expected to rise to about 5,000 pesos.

Under the new program, increased production goals are to be met largely through expanding crop area by 1.8 million hectares, of which nearly one-fourth will be irrigated. Credit availability to farmers has been raised by 32 percent over last year's level and will be accompanied by preferential interest rates. A 30-percent reduction in the price farmers pay for fertilizer and insecticide has been authorized, as well as a 3 percent reduction in crop insurance premium rates. The price of improved varieties of corn and bean seeds has been decreased by 75 percent and larger availabilities of these seeds also are expected.

Although the SAM program favors a close link between consumer subsidies and producer prices, despite the recent increases in grower prices, fixed retail bread and tortilla prices will not be raised this year. Another objective of the

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MARY FRANCES CHUGG, Editor. Tel: (202) 447-3370, 447-2381. Weather and Crop Summary prepared by the Joint Agricultural Weather Facility of USDA and NOAA. Tel: (202) 447-8760, 447-7917. Additional copies may be obtained from the FAS Information Services Staff, Room 5918-South, Washington, D.C. 20250. Tel: 447-7937.



new program is to minimize feed use of corn and wheat by increasing agreements with state authorities to exchange corn and wheat for sorghum.

Mexico was a grain surplus country in the early 1960's, but imports have risen in recent years. Population is growing at an average annual rate of close to 3 percent, income levels have been rising and demographic movement from rural to urban and industrial centers is increasing. In addition, poor harvests for the past two years have contributed to 1979/80 grain imports of over 6 million tons; more than double the preceding year's level.

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EUROPEAN COMMUNITY (EC) imports of corn in 1979/80 (Aug.-July) are likely to fall well below the 13-million-ton level of 1978/79. The smaller imports this year are attributed to a limited increase in overall feed demand because of a very modest increase in livestock output, and prices favoring wheat and barley over corn for feeding. Also, certain non-grain feed ingredients, such as corn gluten feed and feed beans, are more readily available.

EC import license data for corn through May are only two-thirds of last year's level. As a result, some European sources have suggested corn imports may fall below 10 million tons, a level not seen during the 1970's. However, some of the import lag may be due to a larger than normal level of valid licenses at the beginning of the year. Year to year comparisons for the first ten months of the marketing year and the total year are as follows:

	<u>Carry over licenses</u>	<u>Aug.-May</u>	<u>Aug.-July</u>
1977/78	2.2	10.4	13.1
1978/79	2.2	9.3	13.1
1979/80	2.4	6.1	--

An additional indicator of a likely lower level of corn imports is exports reported by major exporters. From August through April, reported Argentine corn shipments to the EC were 800,000 tons below last year's levels. And with most of Argentina's new-crop corn going to the Soviet Union, that shortfall may double by the end of July. That is, Argentine corn shipments might total only one-fourth of last year's 2-million tons.

Despite the shortfall in Argentine shipments, estimated U.S. exports from August 1 through mid-June were down about 400,000 tons. The U.S. normally supplies about 75 percent of EC corn imports.

#### DAIRY, LIVESTOCK & POULTRY

SOVIET inventories of poultry and of all major categories of livestock on collective and state farms increased from May 1 to June 1, 1980. However, as has been the pattern throughout 1980, the monthly inventory increases were generally

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less than in past years. Although the average live weight of hogs at slaughter leveled off during April and May, after declining earlier this year, the figure for cattle has continued to drop since January.

Soviet meat production (on a live-weight basis) for the first five months of 1980 on collective and state farms was 5.95 million tons, about 2 percent above the same period in 1979. Liveweight beef production was only 1 percent above 1979, while output of pork was down 2 percent. Production of poultry meat on collective and state farms was 13 percent ahead of last year. Milk output was 5 percent below January-May 1979.

State-owned plants, using animals procured from collective and state farms and from the private sector, produced 3.2 million tons of meat during the first five months of 1980. This is less than 1 percent above the corresponding period in 1979.

#### OILSEEDS & PRODUCTS

ARGENTINA's long chain of consecutive gains in soybean exports is expected to be broken with a significant decline in the 1980/81 (April-March) marketing year. The expected decline reflects a smaller 1980 harvest, resulting from unfavorable growing conditions despite expanded plantings.

Recent Argentine Grain Board statistics reveal that a large share of the 1980/81 soybean export availability has already been committed. This information, combined with the latest USDA supply and distribution estimate, indicates that Argentina's uncommitted export availability as of May 27, is already 1 million tons below the same day a year ago. The data are as follows in millions of tons:

	<u>April - March</u>		<u>Annual</u>
	<u>1979/80</u>	<u>1980/81</u>	<u>change</u>
Stocks, April 1	0.06	0.11	+ .05
Production	<u>3.70</u>	<u>3.40</u>	<u>- .30</u>
Supply	3.76	3.51	- .25
Crush	.63	.80	+ .17
Seed and Waste	.19	.25	+ .06
Exports committed	.52	1.10	+ .58
Exports uncommitted	<u>2.31</u>	<u>1.30</u>	<u>- 1.01</u>
Total	2.83	2.40	- .43
Stocks, March 31	0.11	0.06	- .05

As of June 24, 1980, Argentine soybeans, c.i.f. Rotterdam, were quoted at \$259.50 per ton, only \$3.50 per ton under U.S. soybeans. However, a year ago, Argentine soybeans were quoted at \$336.00 per ton, \$7.00 per ton under the U.S. origin price.

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PERU's fish meal production during January-April 1980 totaled 222,300 tons--down 40 percent from the 373,400 tons produced in the same four months of 1979, according to the U.S. agricultural attache in Lima. Fish meal exports during the first four months of 1980 totaled 138,600 tons--36 percent below the 215,600 tons exported during the same period in 1979.

Peru's fish meal stocks on April 30, were 225,200 tons; sharply below the 349,500 tons on the same date a year earlier. Although preliminary reports indicate that the fish catch in May increased significantly from the same month last year, there is some concern that current biomass levels will not sustain continued fishing at the current pace. Therefore, exploratory fishing is now underway to determine fish meal production prospects for the remainder of this season.

Peru's fish meal supply and disappearance during January-April 1980, with previous year comparisons, are as follows in 1,000 tons:

	Jan. 1	January-April			Apr. 30
	<u>Stocks</u>	<u>Production</u>	<u>Exports</u>	<u>Consumption</u>	<u>Stocks</u>
1975	220	531	147	49	555
1976	40	366	71	32	303
1977	171	215	192	45	149
1978	112	198	178	30	102
1979	221	373	216	28	350
1980	160	222	139	18	225

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In the PHILIPPINES, a European firm has signed an agreement with a government agency, the National Development Company (NDC), for a joint venture in the production of palm oil. According to the U.S. agricultural attache in Manila, the project is to develop a 5,000-hectare plantation in Agusan del Sur, Mindanao. Planting of oil palms on the new plantation site is not expected to begin until July-September 1981.

The firm is 60 percent Philippine and 40 percent European-owned and will be the second multi-national firm to engage in oil palm production in the Philippines. Early in 1980, another European firm signed a joint venture agreement with NDC to develop an 8,000-hectare oil palm plantation, also in Agusan del Sur.

Philippine palm oil production in 1980 is estimated at about 12,000 tons, harvested from about 3,250 hectares. At present, practically all of the palm oil produced in the country is sold locally, mainly to toilet soap manufacturers.

A Malaysian firm also is seeking to formalize an agreement with NDC to set up a similar project with an oil refinery in the Philippines. This will be done when a suitable location has been identified for the plantation.

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NORWAY's fishmeal exports during October-March 1979/80 totaled 146,100 tons, compared with 133,800 tons in the same six months of 1978/79. Despite some recovery in the 1979/80 fishmeal exports through March, exports remain significantly below the 202,400-ton average for the same months of 1975/76 through 1977/78.

#### COTTON

TURKEY's 1980/81 cotton production is expected to be near the 1979/80 crop of 2.2 million bales (480-lb net), with the final output depending largely on weather conditions during bloom and harvest, according to the USDA agricultural attache in Ankara.

Heavy rains delayed the planting of the 1980/81 cotton crop and below normal temperatures in early May retarded germination. By the end of May, about 60 percent of the intended cotton area had been planted. However, total cotton area is still expected to slightly exceed last year's 615,000 hectares. A decline in area in the Aegean region is expected to be more than offset by increased plantings in the Antalya area.

A new cotton variety (Nazilli 66) being planted in the Aegean area may have some negative effects on this season's crop because it requires a longer growing season than the Cocker 100 A variety it is replacing. In Cukurova, the rains washed out some grain crop areas that could be replanted to cotton.

#### TOBACCO

ZIMBABWE tobacco auction prices continued to fall in the tenth and eleventh weeks of sales. Prices are averaging 98 U.S. cents per kilogram, 31 percent below prices for the same period in 1979. According to sources within Zimbabwe, as many as one-third of the farmers may be forced out of tobacco production, unless tobacco farmers receive higher prices in the last half of the season. The government recently increased the minimum wage for farm labor to US\$45 per month, applicable to men, women and children. Banks reportedly are reluctant to make loans to farmers because of the low auction prices.

A reduction in the number of tobacco farmers also would affect other crops. These farmers produce an estimated 35 percent of the corn, 30 percent of the peanuts, 17 percent of the winter wheat, and 21 percent of the beef.

The government is said to be considering two combined actions to stabilize the tobacco industry: guarantees of higher prices for other crops that tobacco farmers grow; and guaranteed loans to allow the tobacco trade to purchase a significant portion of the tobacco surplus and isolate it from the market until the situation stabilizes.

Carryover stocks at the end of this season are estimated currently at 100,000 tons, including 60,000 tons carried over from the 1979 crop and 40,000 tons from this year's crop.



## HORTICULTURAL & TROPICAL PRODUCTS

THAILAND's poor 1979/80 sugar crop has resulted in short supplies for domestic use and a steep runup in prices. As a result, in early May, the public outcry brought a temporary ban on exports. This in turn has caused shipping delays and concern on the part of international sugar traders.

Because of export commitments and the prevailing favorable world prices, Thailand's two export companies had sought to maximize shipments by not meeting domestic commitments. However, the government has made clear that export licenses will be issued only when an additional 50,000 tons of white sugar is delivered for domestic consumption. It is still not clear if all export commitments will be honored, or when the sugar will be shipped.

The controlled price of sugar to the public is the equivalent of 17 U.S. cents per pound; on the black market, sugar is reportedly selling for up to 45 cents per pound.

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INDIA will put a specific excise tax of 30 rupees (about US\$3.74) per ton on molasses produced in vacuum pan sugar factories in 1980/81. This is in lieu of an existing ad valorem duty of 8 percent. The new tax is expected to produce more revenue. Molasses produced by the khandsari process will remain exempt from the new levy.

## NEW RELEASES

### Foreign Agriculture Circulars:

World Supply and Demand Summary for Grains, Soybeans and Cotton, WSD 2-80.

Rate of Growth in World Cigarette Output Slows in 1979, FT 5-80.

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## INTERNATIONAL WEATHER AND CROP SUMMARY, JUNE 23-29

EUROPE--Above-normal rainfall fell across all but the southern-most areas. In the south, amounts in winter grain harvest areas were not heavy enough to cause losses, but the return of wet weather was not at all favorable. Some areas in the north may have benefited from this third consecutive week of wet weather, but over a substantial portion, the wetness of fields probably became a negative factor in plant development. Temperatures in all areas but the extreme southeast dropped further below normal indicating that crops incurred more delays in their growth cycle.



USSR--Fair weather prevailed in Crimea and the North Caucasus as some harvesting of winter grains began, but most areas to the north and west received above-normal rainfall. Totals of about 100 mm at many locations in the Ukraine were not really needed by spring-planted crops, and may well have caused some damage to maturing winter grains. The wet weather extended northeastward along the northwest side of the Volga River, and probably benefited crops in some previously dry areas. The western half of European USSR experienced lower than normal temperatures, which further delayed crop development, but temperatures surged above normal in extreme southeastern crop areas at the week's end. Hot, dry air from the desert to the southeast pushed into spring wheat areas in parts of the southern fringe of the crop area, and this "sukhovei" may have hurt spring grains.

In the New Lands, a cold front from the north sent temperatures plunging in the eastern two-thirds, with lows ranging 5 to 10 degrees C by the weekend. Abundant rainfall accompanied the front, with most of the New Lands receiving more than 25 mm, and extensive areas getting more than 50 mm. Even the driest area in the east was dampened by near-normal rains of 10 to 15 mm. Growing conditions were much-improved by the moisture.

CHINA--Early in the week, above-normal rain fell over the entire winter wheat belt and excessive amounts over a broad area. Heaviest totals fell in southern parts of the belt (southern Henan, northern Anhui, and northern Jiangsu), where harvesting had been completed, but the excess water probably interfered with planting of successive crops. At the end of the week, additional excessive rains fell in Shandong in the northern portion of the belt, causing continuing problems for late harvesting activities. Rainfall in the hills, south of the Yangtze Valley, remained relatively light for a second consecutive week, which improved conditions. Except for some heavy amounts along the coast, most rice areas in the southern coastal provinces received near-normal rainfall as the harvest season for the first rice crop approached.

SOUTHERN ASIA--Above-normal rainfall continued over most of India as the monsoon advanced, even into Pakistan. Totals in central India are perhaps becoming excessive, but little detrimental effect should be expected. Planting of all crops should be well along, and it seems that in India an excess of water is always better than a deficit. Relatively dry weather continued over an extensive area in the south. Soil moisture remained adequate, but rain will be needed soon if good crop growth is to continue.

AUSTRALIA--Storms continued to sweep across the southern portion of the continent bringing seasonal amounts of rainfall to most winter wheat areas. Below average amounts fell in the northern crop region of New South Wales and Queensland, where soil moisture is in somewhat less than good supply. Most crops, however, have sufficient moisture for vegetative growth.

SOUTHEAST ASIA--In Thailand, seasonal rainfall activity continued to provide adequate moisture for the development of maize and rice crops in Thailand. Reservoirs also benefited from this past week's rainfall. Although data receipts were poor, rainfall was reported in Malaysia, where planting of a rice crop normally begins in July.

SOUTH AMERICA--Weather conditions have aided the progress of wheat planting in the states of Parana and Rio Grande do Sul in Brazil. These two states produce 90 to 95 percent of the total wheat crop. In Parana, all wheat acreage has been sown except for about 15 to 20 percent in the south. About 60 percent of the crop had been sown in Rio Grande do Sul as of June 25. In the coffee area of northern Parana, a light frost was reported during the latter part of the week, but the cold spell did not damage coffee trees. Light rain fell in the main wheat growing zone of Argentina which is situated in the province of Buenos Aires. Dry weather prevailed in surrounding wheat-growing provinces. Moisture reserves are in adequate supply for wheat planting, which will continue through July.

CANADA--Shower activity occurred throughout the Canadian Prairies this past week. In Alberta, conditions were favorable for crop development with cereals advancing into flowering and heading stages. Soil moisture was in adequate supply. Further east in Saskatchewan and Manitoba, this moisture was needed much earlier in the crop season. Crops are reported in fair to poor condition in Saskatchewan with about 25 to 50 percent of the grain crops advancing into flowering and heading stages with very low soil moisture reserves. In Manitoba, crop conditions have deteriorated to such an extent that fields have been plowed under or used for cattle grazing. Significant rainfall is needed to replenish soil moisture reserves in the Prairie provinces.



Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain, soybeans and tapioca, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 1, 1980		Change from previous week	A year ago
	Dollars per metric ton	Dollars per bu.	Cents per bu.	Dollars per metric ton
<b>Wheat:</b>				
Canadian No. 1 CWRS-12.5%..	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
U.S. No. 2 DNS/NS: 14%.....	205.00	5.58	-3	199.50
U.S. No. 2 DHW/HW:13.5%.....	197.00	5.36	-14	202.00
U.S. No. 2 S.R.W.....	186.00	5.06	-3	200.00
U.S. No. 3 H.A.D.....	280.00	7.62	+34	219.00
Canadian No. 1 A: Durum....	<u>1/</u>	<u>1/</u>	<u>1/</u>	225.00
<b>Feedgrains:</b>				
U.S. No. 3 Yellow Corn.....	140.00	3.56	+2	154.00
U.S. No. 2 Sorghum <u>2/</u> .....	151.50	3.85	+5	152.00
Feed Barley <u>3/</u> .....	<u>1/</u>	<u>1/</u>	<u>1/</u>	147.00
Thailand Tapioca.....	180.20	--	-3.70 <u>5/</u>	--
<b>Soybeans:</b>				
U.S. No. 2 Yellow.....	270.75	7.37	+21	308.50
Argentine <u>4/</u> .....	265.00	7.21	+15	290.00
U.S. 44% Soybean Meal (M.T.)	223.50	--	+7.50 <u>5/</u>	255.00
<b>EC Import Levies</b>				
Soft Wheat.....	128.30	3.49	-24	105.20
Corn.....	140.45	3.57	+1	104.15
Sorghum.....	124.50	3.16	-2	102.85
Barley.....	126.25	2.75	+1	99.55

1/ Not available

2/ Optional delivery: U.S. or Argentine Granifero Sorghum

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil Yellow

5/ Dollars per metric ton

NOTE: Basis July delivery







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